

INTERNAL REVENUE SERVICE

Department of the Treasury

District
Director

Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to: [REDACTED]

CERTIFIED
[REDACTED]

Date: SEP 11 1992

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code

The information submitted with your application discloses that you were formed in [REDACTED] as an Association.

Your purpose, as stated in your Constitution and By-laws, is to provide market outlet for members and to create economic development in your area; To develop a broader business climate with the community; to operate the cooperative on a volunteer basis of the members in order to achieve maximum profit for the members.

Your activities, according to your application and the supplemental information submitted, are operating a "cooperative" store, operating a bedding plant greenhouse and conducting monthly meetings. Your primary activity is the operation of a "cooperative" store where you sell craft articles on consignment on behalf of your members to set their own selling price. A percentage of the sales is retained by your organization as a commission. The amount of the commission, [REDACTED] % or [REDACTED] % depends on if members "work on a voluntary basis" in the store. The balance is remitted to the members as payment for their articles. Also your organization sells flowers and vegetables "on a retail basis" from the operation of the bedding plant greenhouse.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of "business leagues, chambers of commerce, real estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and not part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of Income Tax Regulations reads as follows:

"BUSINESS LEAGUES, CHAMBERS OF COMMERCE, REAL ESTATE BOARDS AND BOARDS OF TRADE. A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of Section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See sections 511 to 515, inclusive and the regulations thereunder".

Revenue Ruling 68-265, 1968-1 C.B. 265, states that an organization whose purpose is to engage in a regular business of a kind ordinarily carried on for a profit, even though the business is conducted on a cooperative basis or produces sufficient income to be self-sustaining, is not a business league.

You do not qualify for exempt status under Section 501(c)(6) of the Code because you are similar to the organization described in the above revenue ruling. Your primary activity, the sale of your members' products with the return to them of the sale proceeds, less commissions, constitutes performance of particular services for individual persons. Also, the operation of the greenhouse is a business of a kind ordinarily carried on for profit. These activities are outside the scope of Section 501(c)(6) of the Code.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file Federal income tax returns on Form 1120, annually with your District Director.

[REDACTED]

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018